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This is No. 3 of a series of discussions prepared by the Financial Department of THE NEW YORK HERALD, dealing with the purchase and sale of bonds, stocks and other securities and designed to repoint a few guide posts for the layman, by which reliable security brokers and genuine investments in general may be identified.

Speculation and Investment

The New York Stock Exchange

The New York Stock Exchange is an association of business men engaged in the business of buying and selling securities, as brokers, who have associated themselves in the interest of business facility and business integrity. In fact, the New York Stock Exchange is none other than a market place where exchanges are effected, through brokers, between persons who wish to buy securities and persons who wish to sell securities.

The New York Stock Exchange has nothing whatever to do with the underwriting and original sale of any securities; it engages in no securities business of its own; it is interested neither one way nor the other in any transactions except to see that fair and honest business methods are adhered to by its members, and that only legitimate stocks and bonds are admitted to trading on its floor.

The New York Stock Exchange is the principal American securities market and one of the two largest in the world.

"Listed on the New York Stock Exchange"

—What this means to the Public

It is neither true nor logical to assert that all or the great majority of meritorious securities are "listed" on the New York Stock Exchange. Other reputable exchanges list a number of securities of known excellence which do not appear on the New York Stock Exchange, and a still greater number of worthy securities (notably investment securities) are found listed on no exchange and in fact need no such listing.

For a security to be listed it must submit to a thorough scrutiny by the New York Stock Exchange, since all corporate securities are admitted to trading on the floor of the Exchange only after an exacting and comprehensive examination. Among the New York Stock Exchange's various regulations a corporation whose securities are "listed" must first divulge its complete business and financial history and status in detail, and, thereafter, must make periodical detailed reports of its finances to the Exchange.

Examination of the "Listing Requirements" of the New York Stock Exchange will no doubt prove a revelation to those who are not familiar with the scope of these requirements.

The New York Herald has arranged with the New York Stock Exchange to send on request to any one interested a tabulation of these requirements.

Known qualities always better than unknown quantities

In the absence of any other sure test it is safe to advise the man or woman who wishes to speculate or purchase securities for profit to confine selections to securities listed on the New York Stock Exchange (or on some other organized exchange of established integrity), at least until they become sufficiently well informed as to be able to distinguish readily between legitimate, marketable securities and worthless or fraudulent securities.

Among the most helpful services rendered by the New York Stock Exchange is the ban which it places on fraudulent securities and unscrupulous business practices. These safeguards are too often overlooked by those who are persuaded to chase the rainbows of phantom gain through the purchase of unsponsored stocks, and in consequence find themselves the owners of worthless paper when legitimate securities could just as easily have been acquired.

And in the matter of speculation there is no good reason for any one to look further than a known-reputable stock exchange (or an established securities market) for a choice of securities of speculative merit. The fluctuations of many standard securities over a reasonable period of time will be found quite equal to any profit possibilities actually obtainable from securities of whatever nature available to the public. Promises of profit from unsponsored stocks are mere promises after all; actual fluctuations which have been recorded for years by "listed" standard stocks are realities. With unsponsored stocks one has merely a promise of a market which may exist later; with active listed stocks one has an assurance of being able to sell whenever it is desired.

It must be realized, of course, that the New York Stock Exchange, and none of its members, will or can guarantee against losses which may be incurred from the purchase of securities which it lists. It is also true that no one in the securities business can guarantee, or even attempt to guarantee, profits from securities of any nature. Where promises to this effect are made, "Let the buyer beware."

"Members of the New York Stock Exchange"

All brokerage firms who use the above style under their name include in their firm at least one partner who owns a "seat on the New York Stock Exchange." Every brokerage firm "Member of the New York Stock Exchange" comes under the sternly administered regulations of the Exchange and is held responsible by the Exchange for the proper conduct of its business. It is interesting to note that over a period of years the percentage of failures recorded by firms members of the New York Stock Exchange has been less than one-half of one per cent., which compares not unfavorably with the failures recorded by National Banks during the same period.

It is not implied that reputable security dealers are limited to the membership of the New York Stock Exchange. Many of the most important investment security dealers, principally dealing in Bonds, Preferred Stocks and strictly investment securities, have no membership on the Exchange, and need no membership, and there are still other dealers in "unlisted" securities who are thoroughly reputable and are so recognized. These classes of dealers will be discussed subsequently.

Without sufficient knowledge of the securities you purchase or without sufficient evidence of the responsibility of your Broker, you are without any assurance of stability whatever. Buy Standard Securities; deal with known-reputable Dealers!

The financial advertising columns of THE NEW YORK HERALD to-day serve as a careful guide to reputable Bond Firms and Stock Brokers. Before admission to its financial advertising columns, THE NEW YORK HERALD satisfies itself as to the integrity and standing of each firm or broker.

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